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FannieMae

American
Dream
Commitment



My Community Mortgage™ ***(“MCM”)***

Product Training for Indiana HFA Lenders





Disclaimer

Please be advised that the material provided in this training presentation is for informational purposes only, and that it does not modify and is not a replacement or substitution for information in the *Selling/Servicing Guide, Guide to Underwriting with Desktop Underwriter* and related supplements/release notes, and/or the terms of your Master Agreement or Master Commitment, MyCommunityMortgage Terms and Conditions, or any other contract you have with Fannie Mae.

The header features a decorative border at the top. On the left, there is a sequence of binary code (0s and 1s) in a light blue font. To the right of the binary code is a stylized map of the state of Indiana, composed of various colored squares (green, yellow, orange, red, blue, and grey). Overlaid on the map are the words "technology", "empowerment", and "choice" in a light green, handwritten-style font.

Introduction

My Community Mortgage is better than ever, offering IHFA customers:

- A product that helps serve Indiana's increasingly diverse population of low- to moderate-income home buyers and/or underserved neighborhoods
- A streamlined product platform with multiple flexibilities and additional targeted borrower options to ensure just the right fit for each borrower
- The speed, power, and efficiency of automated underwriting through Desktop Underwriter® for most loans

MCM* Results: \$1.9B YTD Oct 2003

African American
<ul style="list-style-type: none"> 56% First-time home buyers 89% Affordable 56% Underserved

Minority Lending

	Actual	Goal
AA	10.2%	5.4%
Hispanic	17.8%	10.4%
Minority	31.9%	24.3%

Hispanic
<ul style="list-style-type: none"> 53% First-time home buyers 86% Affordable 54% Underserved

Affordable Housing

	Actual	Goal
Affordable	88%	50%
Under-served	39%	31%
Special Affordable	41%	20%

Total
<ul style="list-style-type: none"> Low-income tract 17% Minority tract 17%

First Time Home Buyers (FTHB)	47.9%
Purchase Money Mortgage (PMM)	96.5%
FICO	687
LTV	98.8%
Active Lenders	112

* MCM standard (non-customizers)



MCM Headlines

- Expanded Approval (EA) Levels 1 and 2 with limited waiver of reps and warrants and no EA loan-level price adjustments (LLPAs)
- MBS option on 100% LTVs with 3% seller contributions (limited to closing costs and prepaid items)
- Lender will need to be activated in DU
- DU not required but strongly encouraged



MCM Headlines

- Quicker approval
- Waiver of reps and warrants
- Possible reduced documentation
- Possible higher ratios than manual underwriting
- Possible lower FICO than manual underwriting



Strategy for MCM in DU

Respond to customer demand by:

- Facilitating automated underwriting of MCM, and establishing a process that controls deliveries;
- Creating a less complicated offer for lenders (collapse multiple MCM products);
- Minimizing the need for lenders to manually underwrite; AND
- Continuing to incorporate all high LTV products into DU.






Strategy for MCM in DU



My Community Mortgage™ DU product code will underwrite most MCM products:

- MCM 97, MCM 100 Plus, Community Solutions
- Based on loan characteristics (e.g. LTV) DU will determine specific MCM criteria to apply.




Counseling Requirements

*Pre-Purchase Counseling is required for all first-time homebuyers (everyone who signs the Note) utilizing one of the following forms of pre-purchase counseling :

- ***Face-to-face homebuyer education***
- ***Classroom or workshop sessions***
- ***Telephone education/counseling program by an approved mortgage insurer sponsored by the lender***

(Pre-purchase Education can be waived if the borrower has owned a home in the last 3 years)

*Early Delinquency Counseling MUST BE IN PLACE!!

The header features a decorative border at the top. On the left, there is a sequence of binary code (0s and 1s) in a light blue font. To the right of the binary code is a colorful, pixelated map of the state of Indiana. Overlaid on the map are several words in a cursive, handwritten-style font: 'technology' in green, 'empowerment' in blue, and 'choice' in green. Below these words is a small, light-colored heart shape.

Income Eligibility

Borrowers must meet both income and purchase price limits as set by the Indiana Housing Finance Authority



Sources of Additional Funds into Transaction

Down payment in excess of minimum required borrower contribution (the down payment “gap”) may consist of:

- Gift from a relative
- HFA DPAP Subsidy
- Unsecured or secured loan or grant from employer, city, county, nonprofit organization (Leader Mortgage must review before use)
- Loan secured against asset owned by borrower
- Individual Development Accounts (IDAs)

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Basic DU MCM Parameters

	MCM Purchase and LCOR One-Unit Property	
Occupancy	Primary Residence Only	
Product Types	Fixed rate, per bond program	
Max LTV/CLTV	100% LTV/ 105% CLTV w/Community Seconds	
Min CLTV	95%	
Min Borrower Contribution	\$500 from borrower's own funds	
Eligible Recommendations	Approve/Eligible , Expanded Approval Levels I and II/Eligible (No LLPAs) (Refer with Caution: Follow standard DU Refer policies)	
Eligible Property Types	Single Family attached, detached, PUDs, condos permitted. Manufactured homes/Coops not permitted.	
MI Coverage	90.01% - 100.00% - 35% 85.01% - 90.00% - 30% 80.01% - 85.00% - 25%	
Home Buyer Education	Pre-Purchase and Early Delinquency Counseling mandatory	



Strategy for MCM in DU

**THIS IS IMPORTANT
PLEASE NOTE:**

DU will determine ratios, reserves,
most special feature codes, etc.

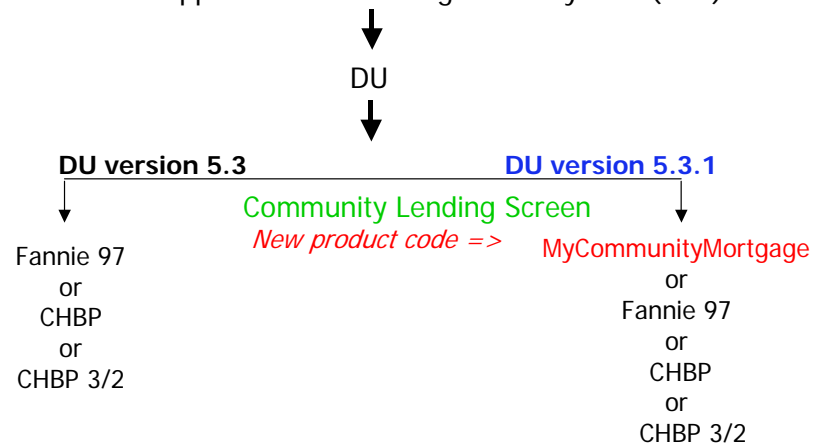


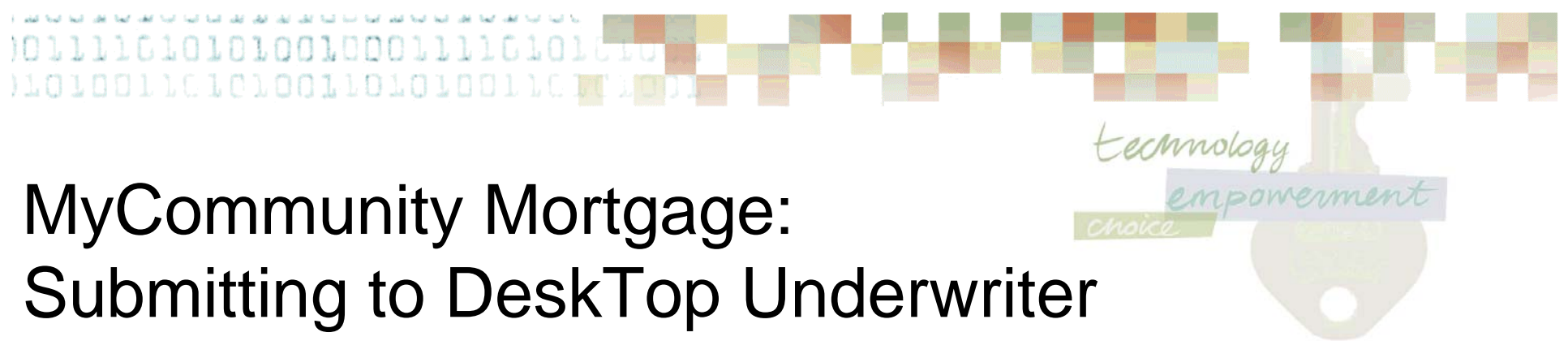
DU “How-To”



Comparing the “MCM workaround” to
MCM in DU

Under the MCM workaround, lenders selected “Fannie 97”, now
lenders go directly to MyCommunity Mortgage
Loan Application / Loan Origination System (LOS)





MyCommunity Mortgage: Submitting to DeskTop Underwriter

- To submit a MCM loan to DeskTop Underwriter
 - Click **yes** to *Community Lending* on the Additional Data Screen in DU.
 - Click on next at the bottom of the screen to open the Community Lending screen.
 - In the Community Lending screen, select the county or MSA in which the property is located.
 - Choose MCM as the community lending product
 - Adjust community lending income limit as needed up to IHFA maximum income limit.
 - Submit the loan for underwriting.
 - DU will do the rest.



Edit Loan: Quick 1003: Additional Data

Borrower Name	Loan Number	Institution Name	Casefile ID
Homeowner	Mindy's MCM	2003_2 GAA-EFN-MCM	538708501

Quick 1003

- [Types, Terms & Property](#)
- [Borrower Information](#)
- [Previous Address Information](#)
- [Employment Information](#)
- [Income & Housing](#)
- [Assets](#)
- [Liabilities](#)
- [Details of Transaction](#)
- [Declarations](#)
- [Additional Data](#)
- [Community Lending](#)

Full 1003

[Guide to Underwriting with DU](#)

Appraisal Information

Property Appraised Value

Fieldwork Obtained

Loan Information

Community Lending

Seller Provided Below Market Financing

First Year Buydown Rate

Lien Type

Payment Frequency

Repayment Type

Subject Property Type

Balloon?

Will Escrow be Waived? ☐ Yes ☒ No

APR Spread (%)

Covered Under HOEPA



Previous

Next

Save and Close

Cancel

Submit

Edit Loan: Quick 1003: Community Lending

Borrower Name	Loan Number	Institution Name	Casefile ID
Homeowner	Mindy's MCM	2003_2 GAA-EFN-MCM	538708501

Quick 1003

- [Types, Terms & Property](#)
- [Borrower Information](#)
- [Previous Address Information](#)
- [Employment Information](#)
- [Income & Housing](#)
- [Assets](#)
- [Liabilities](#)
- [Details of Transaction](#)
- [Declarations](#)
- [Additional Data](#)
- Community Lending

Full 1003

[Guide to Underwriting with DU](#)

Metropolitan Statistical Area or County

Community Lending Product

FannieNeighbors Eligible

Community Seconds

HUD Area Median Income

Income Limit Adjustment Factor

Community Lending Income Limit

Coshocton County

MyCommunityMortgage

Yes

No

Income Limit

50,600.00

100

50,600.00

Previous

Next

Save and Close

Cancel

Submit

Submit Loan: Select a Submission Type

Borrower Name	Loan Number	Institution Name	Casefile ID
Homeowner	Mindy's MCM	2003_2 GAA-EFN-MCM	538708501

Select an option below... ▼

Select an option below...

Credit and Underwriting

Credit Only

Underwriting Only

Risk Rating Services

[Cancel](#)

Submit Loan: Select an Underwriting Service

Borrower Name	Loan Number	Institution Name	Casefile ID
Homeowner	Mindy's MCM	2003_2 GAA-EFN-MCM	538708501

Select an Underwriting Service

Desktop Underwriter

Previous

Submit

Cancel



Account Administration...

Tools and Resources...

Loan Information

[Refresh Data](#)[Return to Loan List](#) | [Advanced Loan Search](#)

Borrower Name	Loan Number	Institution Name	Casefile ID
Homeowner	Mindy's MCM	2003_2 GAA-EFN-MCM	538708501

Loan Information

- [Edit Loan](#)
- [View Loan](#)
- [View 1003](#)
- [Export Loan](#)

Credit

- [Order Credit Report](#)
- [Reissue Credit Report](#)
- [View/Print Report](#)

Underwriting Information

- [Submit Loan](#)
- [View Findings](#)

Services Information

- [Order Appraisal](#)
- [Order Flood](#)
- [Order Title](#)
- [Order VQE/VQI](#)
- [Order/Reorder MI](#)
- [Order AVM](#)
- [Schedule Closing](#)

Underwriting Status:

Complete

Underwriting Recommendation:

Approve/Eligible

Credit Status:

Complete

Underwriting Analysis Report

Recommendation	Approve/Eligible		
Primary Borrower	John Homeowner	Co-Borrower	Mary Homeowner
Lender Loan Number	Mindy's MCM	Casefile ID	538708501
Underwriting Run Date	11/19/2003 03:24PM	Submitted By	r1005t03

PROPERTY INFORMATION

Property Address	Coshocton, OH 43812	Number of Units	1
Property Type	Detached	Occupancy Status	Primary Residence

MORTGAGE INFORMATION

Loan Type	Conventional	LTV/CLTV	100.00% / 100.00%
Amortization Type	Fixed Rate	Loan Amount	\$100000.00
Balloon	No	Financed MI Amount	\$0.00
Community Lending	Yes 	Total Loan Amount	\$100000.00
Payment Frequency	Monthly	Sales Price	\$100000.00
Lien Type	First Mortgage	Appraised Value	\$0.00
Amt. Subordinate Fin.	\$0.00	P&I	\$567.79
Loan Purpose	Purchase	Note Rate	5.500%
Refi Purpose		Qualifying Rate	5.500%

Owner Existing Mtg. Buydown	No	Bought Down Rate	0.00%
		Term (Months)	360

INCOME

Base	\$4000.00
Commission	\$0.00
Bonus	\$0.00
Overtime	\$0.00
Other	\$0.00
Positive Net Rental	\$0.00
Subj. Pos. Cash Flow	\$0.00
Total	\$4000.00

QUALIFYING RATIOS

Housing Expense	15.32%
Total Expense	23.07%

EXPENSE RATIOS

Including ≤ 10 Mos.	35.57%
With Undisclosed Debt	23.07%

PROPOSED MONTHLY PAYMENT

First P&I (Qualifying)	\$567.79	Negative Net Rental	\$0.00
Second P&I	\$0.00	Subj. Neg. Cash Flow	\$0.00
Hazard Insurance	\$0.00	All Other Payments	\$310.00
Taxes	\$0.00	Total Expense Payment	\$922.79
Mortgage Insurance	\$0.00		
HOA Fees	\$45.00	Present Housing Payment	\$0.00
Other	\$0.00		
Total Housing Payment	\$612.79		

FUNDS

Required	\$2000.00	Net Cash Back	\$0.00
Available	\$3000.00	Reserves	\$1000.00
Cash Back	\$0.00	Months Reserves	1

The recommendation for this case is: Approve/Eligible

VERIFICATION MESSAGES/APPROVAL CONDITIONS

- 7 Verify that the subject property is located in an eligible FannieNeighbors location.
(Selling Guide Part VIII, Chptr. 5, Sect. 501.00)
- 8 This loan is also subject to all other lender specified conditions and must comply with all applicable federal, state, and local laws and regulations.
- 9 Mortgage insurance is required. Obtain at least 35% coverage.
- 10 Verify that all borrowers have signed the Borrower Authorization For Counseling form to participate in post-purchase early delinquency counseling, if such counseling becomes necessary.
(Selling Guide Part VIII, Chptr. 1, Sect. 106)
- 11 Each borrower signing the Note must complete an acceptable home buyer education program either in the form of a face-to-face tutorial, or a classroom or workshop session. Documentation of completion must be provided.
(Selling Guide Part VIII, Chptr. 1, Sect. 106)
- 12 Based on the credit report obtained through Desktop Underwriter, this loan must close on or before 11/29/2003. All verification documents must be dated within 120 days of the closing date. For new construction, documents must be dated within 180 days of the closing date.
- 13 Verify the borrower is contributing \$500 of their own funds to the down payment, closing costs or prepaid fees.

Employment and Income

- 14 John Homeowner's income must be supported by a paystub and a telephone confirmation of employment, or by a standard Verification of Employment (1005). The paystub must be dated no earlier than 30 days from the application date and it must include at least 30 days of year-to-date earnings. In lieu of obtaining the telephone confirmation, an additional paystub dated within 30 days of closing may be obtained.

Assets

- 15 Assets totaling \$2000.00 must be verified. From the liquid assets listed on the 1003, at a minimum verify those accounts that are needed to satisfy this amount.
- 16 If depository assets are needed to support the amount of funds required for closing and reserves, verify these assets with a verification of deposit or bank statements covering a one-month period. A satisfactory explanation and documentation should be provided for large deposits.

Property and Appraisal Information


- 17 The system could not determine a property fieldwork recommendation for this case because the submitted property address is incomplete. You can resubmit the case with the complete property address to receive a property fieldwork recommendation.

Ratio Information

- 18 The real estate taxes for this case are \$0.00 or blank; therefore, the qualifying ratios and the underwriting results may not be accurate. Update the value in the proposed monthly housing expense section of the 1003 and resubmit the case.

OBSERVATIONS

- 19 This case was submitted to Desktop Underwriter version 5.3 by 2003_2 GAA-EFN-MCM. The following information is associated with this loan: Casefile ID is 538708501, Credit Agency is EQUIFAX MORTGAGE SERVICES, Credit Report ID is 099108, and Submission number is 6. If the loan is delivered to Fannie Mae, the Casefile ID must be provided at delivery.
- 20 The following list of special feature codes is provided to assist you in determining which codes may be associated with this loan. Other codes may be required. Refer to the Fannie Mae Selling Guide for a comprehensive list.

Special Feature Code	Description
127/214	Desktop Underwriter loan
480	MyCommunityMortgage 100 

(Selling Guide Part VI, Chptr. 2, Sect. 203)

- 21 The following credit scores were obtained by the credit agency selected by the user and are included in the credit report:

Borrower	Credit Scores
John Homeowner	732 741 747
Mary Homeowner	735 740 741

- 22 The following sources of income were used in the underwriting analysis:

Borrower	Income Type	Amount
John Homeowner	Base employment income	4000.00

- 23 The following assets were counted towards available funds. All available funds greater than the amount required to close have been added to cash reserves.

Borrower	Asset Type	Institution Name	Amount
John Homeowner	Demand deposit		3000.00



If Lender Has Access to EA, the following messaging may appear:

New MCM message:

1) Approve/Eligible, Refer/Eligible, EA-I and EA-II/Eligible:

“This case is eligible for delivery as a MyCommunityMortgage™ loan.”

If this message appears, borrower:

- ☐ Must meet income guidelines for IHFA
- ☐ Must meet Eligibility Criteria of MCM
- ☐ Must complete require Home Buyer Education
- ☐ Deliver loan with MCM SFCODE, not EA SFCODE

Lender DOES receive DU limited waiver of Reps and Warrants!



If Lender has access to EA:

New MCM message:

- 2) EA-III/Ineligible, RWC/IV: ***“This case is ineligible because MyCommunityMortgage™ loans with an EA-III or RWC/IV recommendation are not eligible according to the DU MCM guidelines.”***

(If this message appears, lender may take the loan “out of DU” and manually underwrite borrower in accordance with MCM T&Cs and Selling Guide. If borrower qualifies (including appropriate home buyer education, meets income and eligibility requirements), the loan is saleable to Fannie Mae as an MCM loan (not EA), with no LLPAs)

Lender does NOT receive DU limited waiver of Reps and Warrants!



If Lender does not have access to EA:

Lender may receive following messaging:

- 1) Approve/Eligible recommendation; OR
- 2) Refer with Caution (“RWC”): ***“This case has been referred to an underwriter for further review. Based on the data submitted to Desktop Underwriter, this case does not appear to meet Fannie Mae's underwriting guidelines.”***

(Lender may take this loan “out of DU” and manually underwrite the RWC borrower using the My Community Mortgage™ terms and conditions and the Selling Guide.)

If approved on a manual underwrite, lender does NOT receive limited waiver of Reps and Warrants!



More DU/MCM Questions?

Lenders should refer to the
Desktop Originator/Desktop Underwriter
Version 5.3.1
Release Notes Supplement for
My Community MortgageTM
Dated December 19, 2003



MCM Manual Underwrite

CORE PRODUCT FEATURES

**Manual Underwriting
Program Parameters...**





Manual Underwriting Policy



- ✓ Lender is not a DU subscriber
- ✓ Lender not participating in Expanded Approval (Refer with Caution)
- ✓ Under the following DU Recommendations:
 - “Approve/Ineligible,” “Refer/Ineligible,” “EA-III,” “Refer with Caution IV,” “Refer with Caution,” or “Out of Scope”
- ✓ Nontraditional credit history borrowers (Out of Scope)
- ✓ Borrowers with extenuating circumstances
- ✓ Borrowers needing additional flexibility through a targeted borrower option (Community Solutions or Community HomeChoice)



Manual Underwriting Policy

- Credit history guidelines – lender should select one of these four approaches:
 1. Lender requests representative credit scores
 - LTV does not exceed 97%, minimum credit score of 600
 - LTV exceeds 97%, minimum credit score of 620
 2. Lender does not request representative credit score
 - Traditional credit profile per the Fannie Mae *Selling Guide*
 - Nontraditional credit profile per the *Selling Guide*, except minimum of three sources of credit
 - 30% of income from co-borrower without a traditional or nontraditional credit history
 - Reestablished credit per the *Selling Guide*



Manual Underwriting Policy

technology
empowerment
choice

3. Lender requests a representative credit score, and borrower does not have a credit record (Non-Traditional Borrower)
 - Nontraditional credit profile per the *Selling Guide*, except minimum of three sources of credit
 - 30% of income from co-borrower without a traditional or nontraditional credit profile
 - Reestablished credit per the *Selling Guide*
4. Lender requests a representative credit score, and the credit score is less than the minimum
 - Traditional credit profile per the *Selling Guide*
 - Nontraditional credit profile per the *Selling Guide*, except minimum of three sources of credit
 - 30% of income from co-borrower without a traditional or nontraditional credit profile
 - Reestablished credit per the *Selling Guide*



Hot Off the Press

- For a borrower utilizing nontraditional credit, **require only three lines of nontraditional credit sources**
- **Permit 30 percent of qualifying income from occupying co-borrower with no credit history** provided that the primary borrower meets the minimum credit standards for the MyCommunityMortgage product option.
- **Expand our guidelines for boarder income** to permit the acceptance of this income from non-related parties in addition to relatives, within Fannie Mae's current guidelines.

97% LTV Option

Conventional fixed-rate, fully amortizing mortgages with a term of 30 years

Owner-occupied, one-unit principal residences, including condos and PUDs

97% LTV; 105% CLTV with Community Seconds

\$500 minimum contribution from borrower's own funds, with remainder from flexible sources

(3% Interested Party contribution allowed after borrower's min)

43% single back-end qualifying ratio

Minimum 600 FICO (or less with documented extenuating circumstances) or enhanced credit evaluation for borrowers with traditional or nontraditional credit histories as set forth in Selling Guide (Part X)

No monthly reserves

35% Mortgage Insurance Coverage

30% of qualifying income from occupying co-borrower without credit history

100% LTV Option

Conventional fixed-rate, fully amortizing mortgages with a term of 30 years

Owner-occupied, one-unit principal residences, including condos and PUDs

100% LTV; 105% CLTV with Community Seconds

\$500 minimum contribution from borrower's own funds
(3% Interested Party contribution allowed after borrower's minimum)

43% single back-end qualifying ratio

Minimum 620 FICO (or less with documented extenuating circumstances) or enhanced credit evaluation for borrowers with traditional or nontraditional credit histories as set forth in Selling Guide (Part X)

No monthly reserves

35% Mortgage Insurance Coverage

30% of qualifying income from occupying co-borrower without credit history



Community Solutions Borrowers

Full-time employees of:

- ☐ public or private schools, kindergarten through post-secondary schools (including college);
- ☐ law enforcement agency, fire department, or other sworn officers responsible for crime prevention, emergency responses or terrorism;
- ☐ certified, accredited, or licensed health care workers such as nurses, medical residents, pharmacists, therapists, technicians and technologists.

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Community Solutions Borrowers

Borrower Eligibility: State/Municipal Worker

(All borrowers must meet income guidelines per IHFA)

At least one borrower must be:

- a full-time state employee paid through the Auditor of State's Office; or
- a full-time town, city, or county employee paid by the town, city, or county

Community Solutions 97

Conventional fixed-rate, fully amortizing mortgage with a term of 30 years

Owner-occupied, one-unit principal residence, including condos and PUDs

97% LTV; 105% CLTV with Community Seconds

\$500 minimum contribution from borrower's own funds

(3% Interested Party contribution allowed after borrower's own minimum)

45% single back-end qualifying ratio; and up to 50% with strong compensating factors

Minimum 600 FICO (or less with documented extenuating circumstances) or enhanced credit evaluation for borrowers with traditional or nontraditional credit histories as set forth in Selling Guide (Part X)

One months reserves (gifted); two months reserves for backend ratio of 50%

35% Mortgage Insurance Coverage

Part-Time/Over-Time Income: 12-month history

Community Solutions 100

Conventional fixed-rate, fully amortizing mortgage with a term of 30 years

Owner-occupied, one-unit principal residence, including condos and PUDs

100% LTV; 105% CLTV with Community Seconds

\$500 minimum contribution from borrower's own funds
(3% Interested Party contribution allowed after borrower's minimum)

45% single back-end qualifying ratio; and up to 50% with strong compensating factors

Minimum 620 FICO (or less with documented extenuating circumstances) or enhanced credit evaluation for borrowers with traditional or nontraditional credit histories as set forth in Selling Guide (Part X)

One months reserves (gifted); two months reserves for backend ratio of 50%

35% Mortgage Insurance Coverage

Part-Time/Over-Time Income: 12-month history



Defining our MyCommunity Options

- Community HomeChoice Option:

Underwriting flexibilities for borrowers with disabilities, limited to 97% LTV, allows for non-occupant co-borrowers, 120% CLTV.



Community HomeChoice Option



The borrower must be:

- ❖ Defined as handicapped under the federal Fair Housing Amendments Act, or:
- ❖ Have a family member who lives with borrower who is handicapped



Community HomeChoice

- ❖ 1-unit properties, 97% LTV
- ❖ Borrower income per IHFA limits
- ❖ 120% CLTV
- ❖ Renovations allowed (rehab approval)
- ❖ - 45% single qualifying ratio
 - 50% with 2 months reserves, budget based qualifying
 - 33%/38% with non-occupant co-borrower



Community HomeChoice Option

❖ Reserve Requirement:

- 45% ratio = 1 month
- 50% ratio = 2 months

❖ Delivery: SFC 222



Special Feature Codes

When delivering the loans to Leader Mortgage and reporting to IHFA, it is imperative that the following SFCs be disclosed:

- Loans with LTVs of 97% and below: 460
- Loans with LTVs above 97%, up to 100% : 480
- Community Solutions Loans: 481
- (State/Municipal Workers only): 278 and 481

Plus: Code 088 on ALL Bond loans



Questions?????

Presenters: Irene Peary (Product)
John Hotchkiss (Underwriting)

Contact Information: .

Phone: 312-368-6284

E-Mail Address: irene_r_peary@fanniemae.com